

REFINITIV STREETEVENTS

EDITED TRANSCRIPT

RPRX.OQ - Royalty Pharma PLC at Evercore ISI HealthCONx
Conference

EVENT DATE/TIME: DECEMBER 03, 2024 / 5:55PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Terrance Coyne *Royalty Pharma PLC - Executive Vice President, Chief Financial Officer*

Marshall Urist *Royalty Pharma PLC - Executive Vice President, Research and Investments*

CONFERENCE CALL PARTICIPANTS

Umer Raffat *EVERCORE ISI - Analyst*

PRESENTATION

Umer Raffat - *EVERCORE ISI - Analyst*

(audio in progress) for the delay. We'll jump right into it. Thank you, guys, for being here. I'll turn it over to you, Terry, Marshall, to kick things off with Royalty Pharma.

Terrance Coyne - *Royalty Pharma PLC - Executive Vice President, Chief Financial Officer*

Well, thanks, yes. Thanks, Umer. Thanks to you and Evercore for hosting us. It's been a really great year for Royalty Pharma in terms of investments. We've added some great products to the portfolio and very excited to talk to you about everything that's been going on.

QUESTIONS AND ANSWERS

Umer Raffat - *EVERCORE ISI - Analyst*

Excellent. I feel like for a long time, there was this -- there were two sets of constructs on Royalty Pharma. One was, rates should correlate with stock performance, and we've kind of seen rates start to pull back and it didn't necessarily do that. But I think there was another component, which was folks taking a much more fundamental look at it and seeing where some of the core royalties could actually track ahead or behind versus where the expectations are at.

I know, and we're going to talk about the Vertex royalty and where that stands and where you guys are on that, but in many ways, I feel like that's been part of investor conversation for perhaps over a couple of years at this point. But then there's a lot of exposure on some newer royalties into next year as well. So maybe I'll let you sort of approach it from a more portfolio perspective, truly needle-moving royalties, what are the new ones that may not be fully expected, for example, Lp(a), there's some exposure into next year, et cetera. So if you could characterize that now I want to go down each one of them a little more specifically.

Terrance Coyne - *Royalty Pharma PLC - Executive Vice President, Chief Financial Officer*

Yeah. So I guess sort of big picture and maybe I'll let Marshall talk about some of the specific ones that are going to happen in 2025. But big picture, since our IPO, we've added some -- and our IPO was in June of 2020 -- we've added some amazing products to the portfolio and had overall some really great outperformance from products like Tremfya and Trelegy, Evrysdi, to name a few. And those products still have a lot of growth ahead of them. And we've added probably 30 -- in the 30s in terms of new products to the portfolio.

And we're kind of doing that every year. We're adding 8-ish, 8 to 10 new product -- new assets into the portfolio every year. And overall, we have this consistent track record of outperformance when we make investments, particularly when we have -- when we make the larger investments. Just this past year, we made an investment in a product that's marketed by a private company called Voranigo, for low-grade glioma, we think that's a product that's going to do really well. And we're excited to sort of, at some point, start tracking how the sales are progressing and the royalties, et cetera. But we also have an exciting pipeline. And we don't feel, right now, like that's getting much appreciation. And it's a diverse

pipeline with some really potentially transformational products in there. And maybe I'll turn it to Marshall to kind of get into some of the details there.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President, Research and Investments*

Sure. So like Terry mentioned, we're proud of the kind of pipeline we've built of things that are unapproved or there will soon be approved and/or launched. And so you mentioned Lp(a), I'm sure we'll talk a little bit more about that. We have royalties on the first two in-class Novartis' pelacarsen, which will have data next year, and Amgen's oipasiran, which will complete Phase 3 the following year. So we're excited about that one.

We did a -- we did another transaction for a Sanofi product in the CD40 class, which is a class that's definitely progressing. We're seeing some positive data for it in lupus, but Sanofi has shown some exciting data in Phase 2 for MS. That data is probably 2027 or 2028, so still a little bit to wait. Cytokinetics, aficamten, another company we partnered with, did a deal with them this year, that was the follow-on to deals we've done in the past. So that has a PDUFA date next year.

And then I just finished with a couple of other recent deals we did, which have launches. So we just did a synthetic royalty to partner with a company, Geron, that's launching a new product, Rytelo, for low-risk MDS. They announced a strong first quarter and look forward to see that launch. And then we'll have the launch of -- we'll have actually two more launches. We'll have the launch of Niktimvo, which is a new drug for chronic GVHD that Incyte and Syndax are launching and then as well as Ascendis with Yorvipath their PTH drug, which launches next year as well, which are all synthetics we've done recently.

So I think we're excited about what's in the pipeline, both near term and longer term.

Umer Raffat - *EVERCORE ISI - Analyst*

Is it reasonable to think, Marshall, that this bucket we just went through Lp(a), Sanofi, Cytokinetics, Geron, Syndax, and Ascendis is over \$1 billion in sales aggregate?

Marshall Urist - *Royalty Pharma PLC - Executive Vice President, Research and Investments*

In sales in total?

Umer Raffat - *EVERCORE ISI - Analyst*

Sorry, sales to Royalty Pharma.

Marshall Urist - *Royalty Pharma PLC - Executive Vice President, Research and Investments*

In royalties to Royalty Pharma.

Terrance Coyne - *Royalty Pharma PLC - Executive Vice President, Chief Financial Officer*

I haven't looked at it, but yes, I mean --

Umer Raffat - *EVERCORE ISI - Analyst*

But, yeah it's within that ballpark, would you say that --

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah. I think that we said that the Lp(a) on consensus estimates, I think olpasiran was around \$250 million and then pelacarsen was around \$150 million, if my memory serves me correctly.

Umer Raffat - EVERCORE ISI - Analyst

Got it. And to minus again the Vertex size of royalties, could you just remind us what it is? And even in the worst case scenarios, how much can you possibly lose at --

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah. So last year, Vertex -- the Vertex Portfolio Receipts to Royalty Pharma were in the mid-700s. And they're expected to -- under a status quo where there isn't sort of this controversy, it would grow into a little over \$900 million or so.

Umer Raffat - EVERCORE ISI - Analyst

Got it. And what I remember you ran a sensitivity. There was a nice slide you guys showed at one point, which some of the ways of running that sensitivity is what your base case is on the legal side. But let's say we go with an extreme case where the deuterated is not counted as ivacaftor, how much lower could that royalty go because it doesn't go to zero, so --

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

It doesn't, yeah. So just to remind everyone, the royalty that we get on Trikafta is a little over 9%. The royalty that we think we're entitled to on the new Vertex triple should be 8%, but there's a debate over one of the components there. And so if we're wrong, then the royalty would be 4%. And if it's only 4%, and there's significant switching -- 50% to 75% of patients switched to the new triple, we've said that, that 900 would go to 600 or 700. So \$200 million to \$300 million headwind towards the end of this decade. So I think you sort of hit the nail on the head when you compare it to some others to say --

Umer Raffat - EVERCORE ISI - Analyst

We get to \$400 million regardless of the outcome. Is that right? Is that what you just said?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

\$600 million or \$700 million is --

Umer Raffat - EVERCORE ISI - Analyst

Okay. No. But if 8% gets cut into 4%, wouldn't that mean like roughly half?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah, but that's only assuming 75% of patients switch. We don't think that -- it's hard to imagine there's an area where --

Umer Raffat - EVERCORE ISI - Analyst

This may not be 100%.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

I mean, I don't -- there's not a lot of precedent for some -- for a switch to be 100% and a drug that works.

Umer Raffat - EVERCORE ISI - Analyst

Right. Mid-70s is the upper limit. So -- got it. So realistically speaking, even in a scenario where your interpretation is not adopted, the cumulative size of the move is \$300 million-ish on the Vertex --

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah, \$200 million to \$300 million.

Umer Raffat - EVERCORE ISI - Analyst

And some of the pipeline we just discussed may add up to something in the order of \$1 billion or so.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah. I mean we highlighted a slide, a pipeline slide in our deck that using consensus estimates is \$1.2 billion.

Umer Raffat - EVERCORE ISI - Analyst

Got it. So on the flight over to Miami, one thing I was doing was reading your Q very, very carefully. And I was specifically looking for language on arbitration because you guys are in that process with Vertex, is that right?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

We haven't said specifically, but that is that --

Umer Raffat - EVERCORE ISI - Analyst

But he is nodding yes.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Arbitration is the dispute resolution mechanism under the contract, but we haven't discussed the specific timelines there.

Umer Raffat - EVERCORE ISI - Analyst

Okay. I mean presumably, whatever happens just based on the launch timelines would dictate how the courts or an arbitrator would have to proceed as well. So -- and again, this is not to put you guys on a spot on arbitration happening or not or where it's at. But whatever the visibility is out of that, we should have that by the time of launch? Or is that not the case? Or (multiple speakers).

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

We just haven't really elaborated. What I can say is that arbitration is, unlike if you were going to court, arbitration is a more expedited process. It's not -- it is. It's not as long as one party sues another other party (multiple speakers).

Umer Raffat - EVERCORE ISI - Analyst

And if the parties don't agree -- I'm not talking about this case in particular, but if the parties of both sides don't agree, then it formally heads towards a court case in the district court?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

No, it doesn't. It's arbitration.

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

It is arbitration.

Umer Raffat - EVERCORE ISI - Analyst

No, no, you -- can't you just say we don't agree on this?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

No. There is no -- it's sort of all laid out in the contract.

Umer Raffat - EVERCORE ISI - Analyst

Okay. Got it. All right. Excellent. Maybe using that then to transition to some of the launches into next year.

So Lp(a), I know that's an important category. There's a lot of investor interest in that as well. But I guess the risk factor I foresee on that, I think the clinical risk to me is very, very low. It's really on the commercial side, and there's two of them. One being broad-scale adoption away just from bad cholesterol more towards Lp(a) tracking as well. And presumably, we'll make progress. Cardiologists being very focused on that. But if you could speak to that. And then secondly, could we envision a scenario where Lilly's oral Lp(a) just leapfrogs both of these and given their scale with the GLPs, maybe that becomes a standard. So could you speak to both of those.

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

Sure. So I think on the market, we're excited for the market. As you kind of referenced, a lot of the pieces are there, right? Cardiologists, there's a high level of awareness of this as a risk factor. The test, it's very easy to test for, right? You can go to your doctor today and ask for it and find out

what your Lp(a) is. So cardiology launches always take time. But I think that -- I think shifting people over to have this as an additional risk factor is something that I think will happen with interventions and positive data, right? This -- I think the difference here -- and we don't think of it as a shift from focus on LDL cholesterol so much as you're identifying a high-risk subgroup of patients who have a genetic risk factor for high Lp(a) and having this as a driver of your cardiovascular disease. And so it's a little bit of a different story than we've thought about historically.

In terms of the competitive landscape, I mean, we'll see, right? I think the injections that are monthly or quarterly versus an oral, right? I mean there's going to be patients who kind of self-select either way depending on kind of the product profile that they like. So we don't see it as a winner-take-all market.

Umer Raffat - EVERCORE ISI - Analyst

Okay. Got it. So it's not winner take all. As it relates to the Cytokinetics program, so early into the launch, Bristol was genuinely very much struggling with the mavacamten launch. I know the dynamics have improved. Now they're starting to put up a real sales run rate as well. I guess, how do you see that product evolution on the Bristol side? And how does Cytokinetics tie into the broader picture as well?

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

Yeah. So I think we -- the mavacamten, Camzyos launch, I think, for a lot of reasons, we expected to sort of proceed the way that it did, right? This is a new disease. This is -- it was a drug with a REMS. And so it's going to take some time to get together, but I think they've kind of reached a good -- reached some momentum right now, and it seems like things are going well.

We've all seen the ads on TV and everything else for Camzyos. And so having -- and that was part of our thesis and investing in Cytokinetics was that Bristol was going to do a lot of the hard work to get this up and going, and then you're going to come with a second product that has some advantages as well. And so I think we're excited --

Umer Raffat - EVERCORE ISI - Analyst

Can you speak to that? The profile and the differentiation?

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

Yeah. I think the titration profile, we'll see what the -- we'll see what the REMS ultimately looks like. I think -- Cytokinetics is the best people to ask about that. But I think the idea that it will have some differences in terms of physician and patient burden will certainly be a help as the product launches, and we're excited to see what Cytokinetics and team do with the launch.

Umer Raffat - EVERCORE ISI - Analyst

Marshall, would your estimates still be the same if Cytokinetics themselves have to do this launch and it's not a large pharma launching it?

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

Yeah. No, it's a good question. So we -- whenever we make an investment, we have to invest on the base case that our partner is going to be launching the drug, right? We don't invest sort of assuming the company is going to get bought. It seems like if you're waiting for a company to get bought, it probably won't. And so we are -- we always were under our base case was that the Cytokinetics team would be the one launching it. So that was the basis of our estimate. So it wouldn't -- no, it would not change.

Umer Raffat - EVERCORE ISI - Analyst

Got it. And remind me again, the peak sales expectation per consensus on aficamten is?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

I'm trying to remember.

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

I don't have it on the top of my head.

Umer Raffat - EVERCORE ISI - Analyst

Okay. We can go back and look into that. But whatever the sales number is the base case in your modeling is that there will still be a REMS. It may be a little less onerous, but there will still be a REMS. Is that right?

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

I think that's probably a better question for Cytokinetics. But our assumption was, yes, we did not. If your question is, did we assume that this was a --

Umer Raffat - EVERCORE ISI - Analyst

REMS-free?

Marshall Urist - Royalty Pharma PLC - Executive Vice President, Research and Investments

REMS-free product? No. The premise of the deal was that this would have a REMS.

Umer Raffat - EVERCORE ISI - Analyst

Okay. Got it. Excellent.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

But we made the initial investment years ago.

Umer Raffat - EVERCORE ISI - Analyst

Correct. Makes sense. Okay. Excellent. And maybe -- and I know we have limited time left. So let me just transition very quickly to the balance sheet. Terry, one thing I was looking at, and I was just reading this very carefully was there's some financial royalty assets listed. And so if you haven't gone through the whole structure of Royalty Pharma, you can just say, well, if those are the assets that those are the assets. So the valuation should be the assets. But the financial royalty assets listed in your balance sheet don't include a bunch of other royalties as well.

So could you just remind us of that dynamic?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah. So we -- a lot of our royalties are characterized as financial royalty assets. And there -- that's how they show up on the balance sheet. We also have a disclosure of what the fair value of those assets is. And that's a different number than what is on the balance sheet. That's a footnote number. Within that footnote number, it doesn't include anything that we've expensed along the way. So for example, things that came through R&D funding, where like Trodelvy or Nurtec, those are not included in that number. It also doesn't include some of the more structured investments that we've made. Like we loaned -- we created what we call development funding bonds with -- sorry, MorphoSys. That's now a Novartis credit, but that's not in that number. So there's a lot of things that are not in those numbers. But a lot of our core assets are continuing with financial royalty assets.

Umer Raffat - EVERCORE ISI - Analyst

Got it. And in doing the valuation for those, you assume a discount rate out to the terminal year on consensus. Are they under capturing the value?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

It's a pretty complex methodology and you have to look at it asset by asset. So it does not reflect the diversity of the portfolio. And so the discount rate that you're going to get for a single asset is going to be higher than the discount rate that you're going to get for the entire portfolio. And so that is a major factor when you look at that valuation.

Umer Raffat - EVERCORE ISI - Analyst

I see. Okay. Got it. And then the last point being, I mean, I think you would agree this -- given where the stock is and given where the valuation stands, especially the performance since IPO, one of the questions that comes up is, if management truly does think the stock is undervalued, the repurchase could happen at a much more accelerated pace than it has. So I know you guys authorized \$1 billion, in March '23, and stocks at these lows, but only half of that \$1 billion has been spent so far. So you could argue there's a scenario in which Royalty Pharma does a \$2 billion, \$3 billion repurchase. Was that something that's a possibility? Or is that not a possibility?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

So I mean, look, I think when we see the stock where it is, obviously, it's been surprising to us. And I think that we are very happy that we have the ability to repurchase the stock at these levels. Obviously, we think the stock should be much higher, but it's a tool that we can use to return capital to shareholders. And I think that it's something that we'll continue to look at and balance against making royalty investments and we obviously have the dividend. But we do have a lot of financial flexibility right now. Our leverage is pretty low. We have a lot of cash. We're generating a lot of cash every quarter. And so we have to weigh all of those things as you can imagine that we would when (multiple speakers).

Umer Raffat - EVERCORE ISI - Analyst

What was the cost basis for this \$500 million repurchase you guys did in the last 18 months?

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

We were buying some -- most recently, it's been -- we've been buying in the sort of mid-20s. I think the overall is probably around \$29 or so.

Umer Raffat - EVERCORE ISI - Analyst

Okay. So you've been buying between the range of \$30 to \$25.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Yeah.

Umer Raffat - EVERCORE ISI - Analyst

Anything we didn't touch on with regards to Royalty Pharma? Okay excellent. Thank you guys for making time.

Terrance Coyne - Royalty Pharma PLC - Executive Vice President, Chief Financial Officer

Thanks a lot.

DISCLAIMER

Refinitiv reserves the right to make changes to documents, content, or other information on this web site without obligation to notify any person of such changes.

In the conference calls upon which Event Transcripts are based, companies may make projections or other forward-looking statements regarding a variety of items. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the companies' most recent SEC filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the results contemplated in the forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE COMPANY'S CONFERENCE CALL AND WHILE EFFORTS ARE MADE TO PROVIDE AN ACCURATE TRANSCRIPTION, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORTING OF THE SUBSTANCE OF THE CONFERENCE CALLS. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED ON THIS WEB SITE OR IN ANY EVENT TRANSCRIPT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S CONFERENCE CALL ITSELF AND THE APPLICABLE COMPANY'S SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

©2024, Refinitiv. All Rights Reserved.